



OFFICE *of*  
**PROGRAM RESEARCH**

WASHINGTON STATE  
HOUSE OF REPRESENTATIVES

# **An Overview of K-12 Funding:**

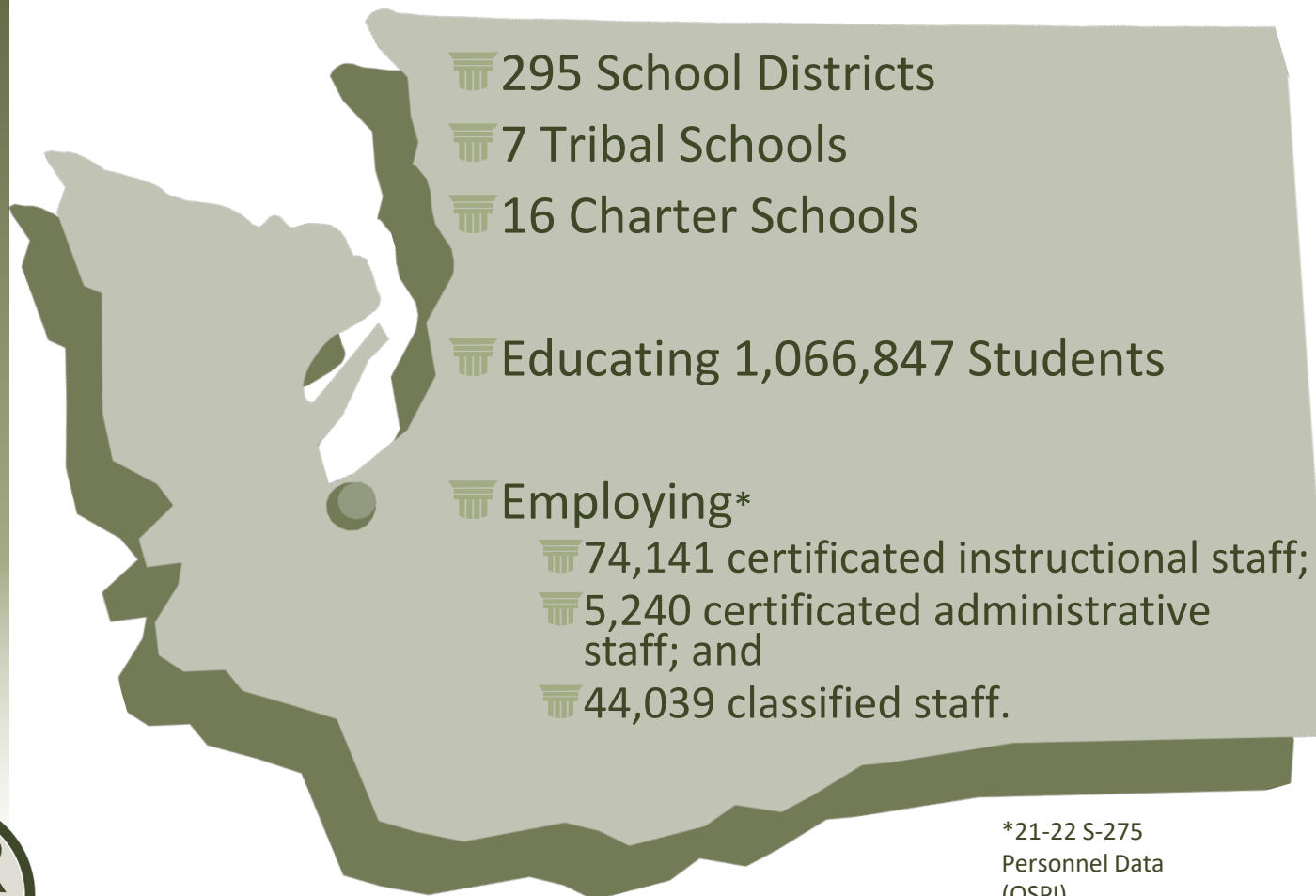
Jordan Clarke, James Mackison

# Today's Presentation

- ▮ The prototypical school formula
- ▮ Revenue sources (State, Local, Federal)
- ▮ Compensation allocations for K-12 staff
- ▮ Levies and Local Effort Assistance
- ▮ Categorical programs (e.g. special education)
- ▮ Office of the Superintendent of Public Instruction (OSPI) statewide, grant and pilot programs
- ▮ Federal COVID Emergency Funding
- ▮ Early learning and K-12



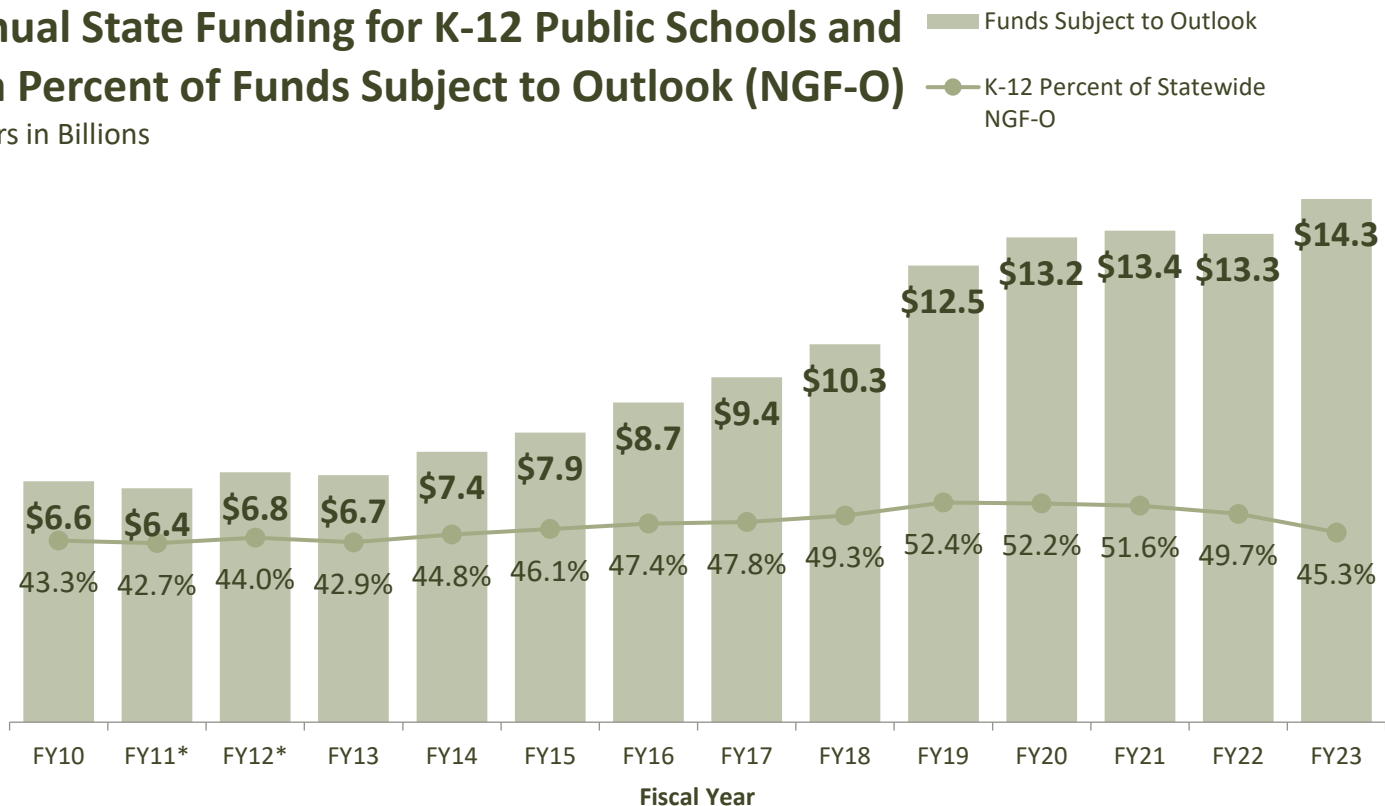
# Overview of K-12 in Washington



# State K-12 operating budget funding has more than doubled over the past decade.

## Annual State Funding for K-12 Public Schools and as a Percent of Funds Subject to Outlook (NGF-O)

Dollars in Billions



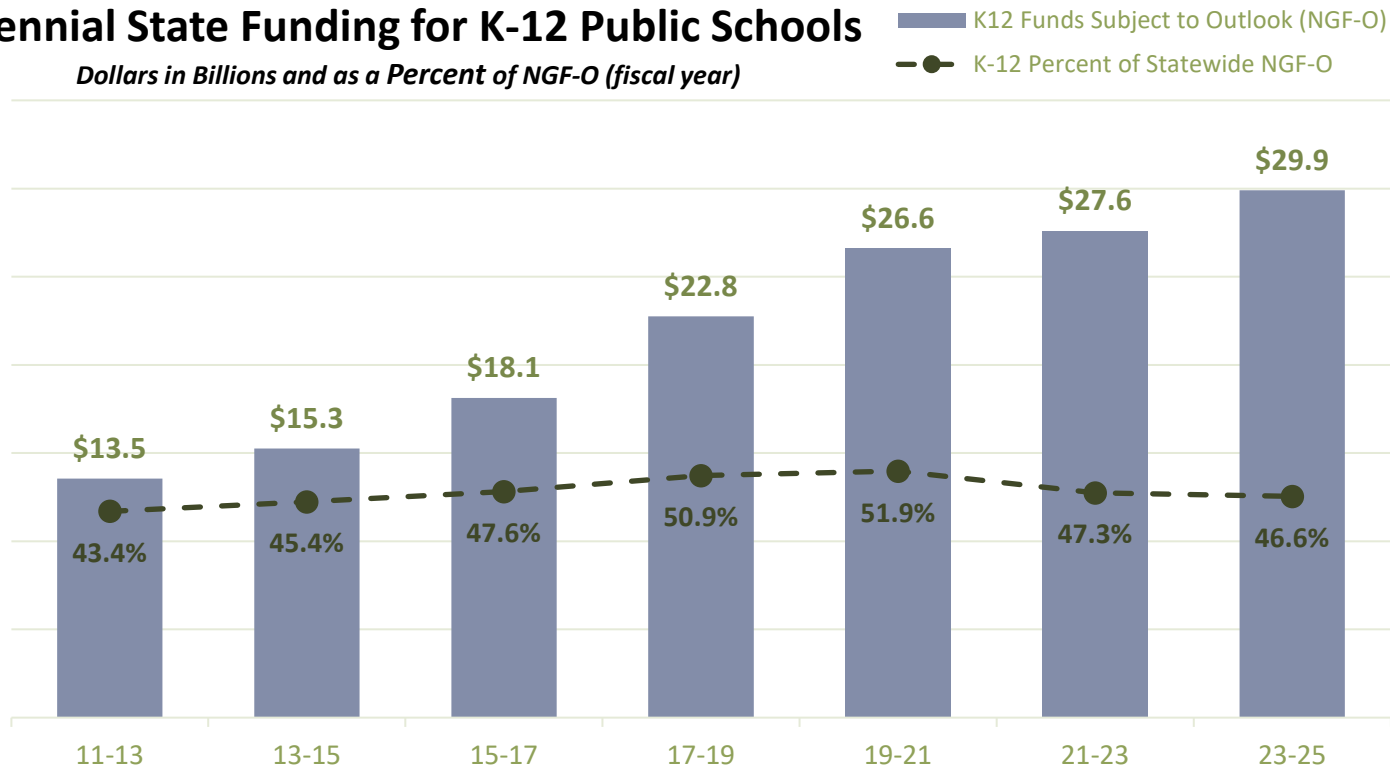
In this display, NGF-O includes General Fund-State, Education Legacy, Opportunity Pathways, Workforce Education Investment, and Dedicated McCleary Penalty in FY19. Data through FY21 are final actual expenditures. FY22 is preliminary expenditures as of Oct 2022. Data for FY23 are based on the 2022 Enacted Budget. Special Appropriations not included in statewide NGF-O totals.



# Biennial Funding in the Operating Budget

## Biennial State Funding for K-12 Public Schools

*Dollars in Billions and as a Percent of NGF-O (fiscal year)*

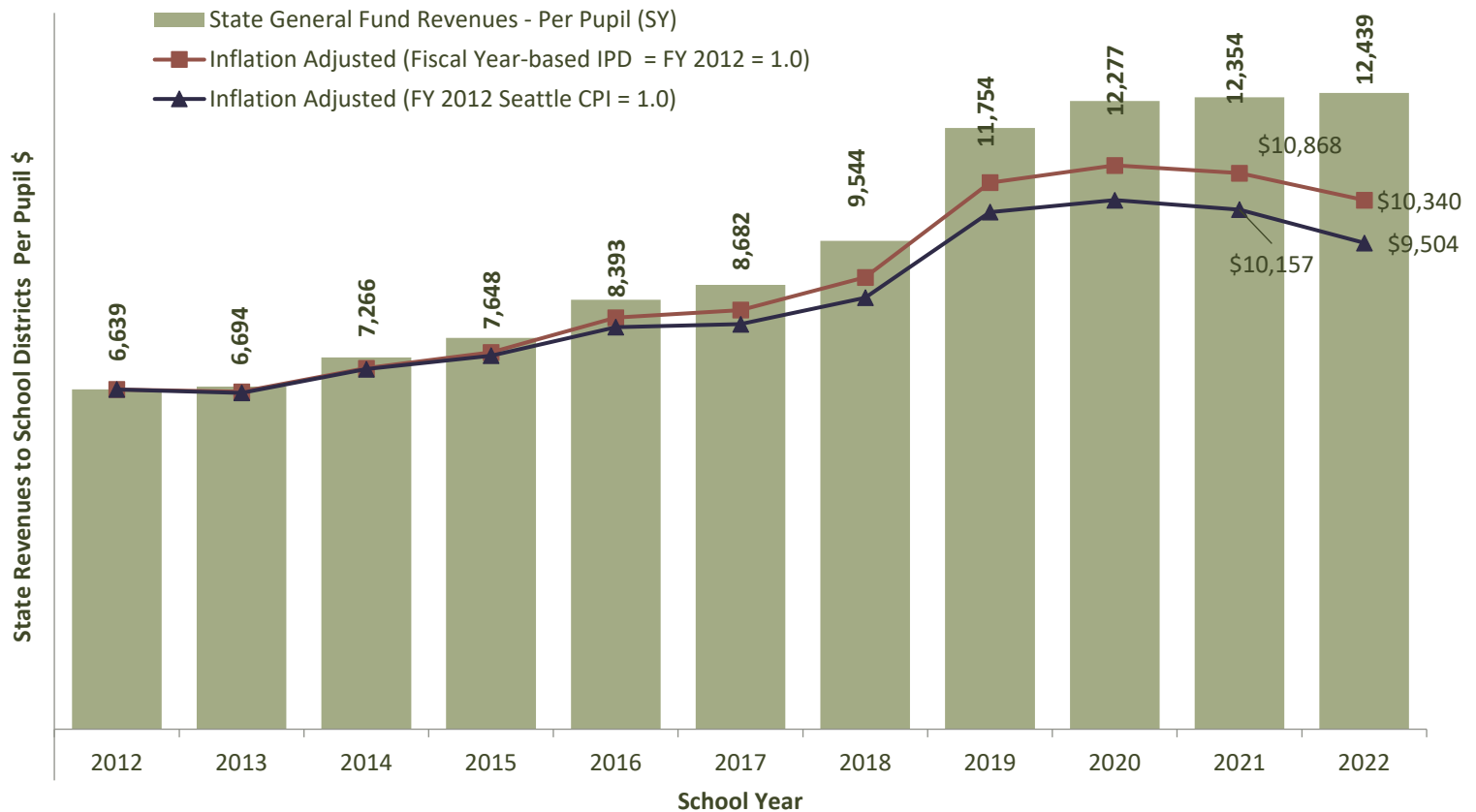


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# State operating revenues to schools have grown on a per pupil and inflation adjusted basis.

## State Revenues Per-Pupil to Districts for K-12 Public Schools

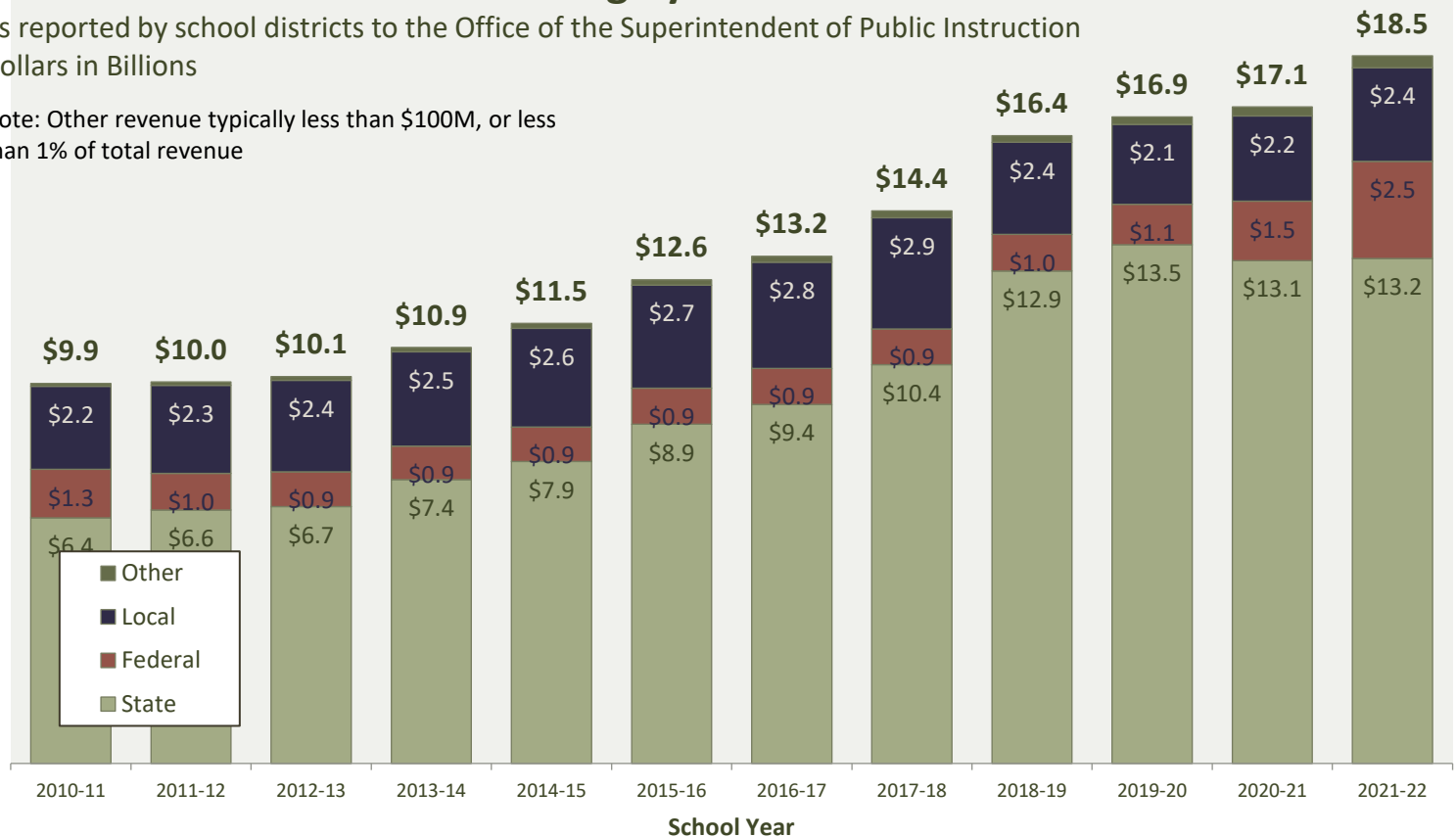


# Schools receive funding from multiple sources, with the state providing the largest portion of funding.

## Total K-12 Public Schools Funding by Source

As reported by school districts to the Office of the Superintendent of Public Instruction  
Dollars in Billions

Note: Other revenue typically less than \$100M, or less than 1% of total revenue



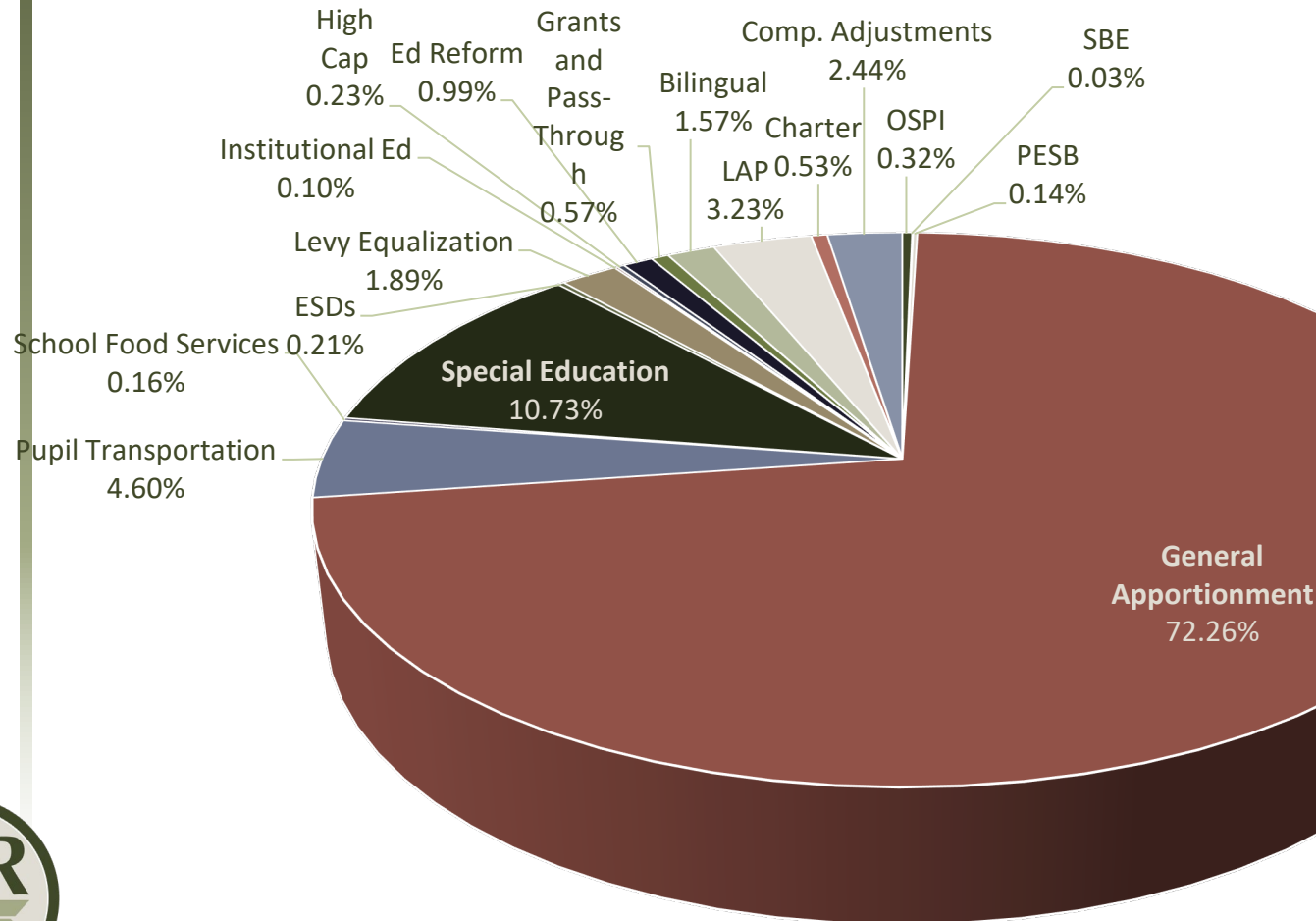
# How does the state prototypical school formula actually work?

- ▮ State obligation and local control.
- ▮ In general, state funding generated by formulas is *for allocation purposes only*, except:
  - ▮ Categorical funding may be spent only for categorical purposes.
  - ▮ Salary restrictions.
  - ▮ Class size accountability.
  - ▮ Physical Social and Emotional Support Staff (NEW).
- ▮ Districts have flexibility in how they deploy state resources.
- ▮ Variations in actual staffing and expenditure choices are not only permitted but intended.
- ▮ Formulas are enrollment-driven (full-time equivalents) and receive annual inflationary adjustments.
- ▮ Charter schools funding also allocated by formula, using lottery revenues. Tribal compact schools as well.





# General apportionment accounts for over 70% of state K-12 funding.



2021-23 NGF-O K-12  
State Funding  
(2022 Supplemental  
Budget)

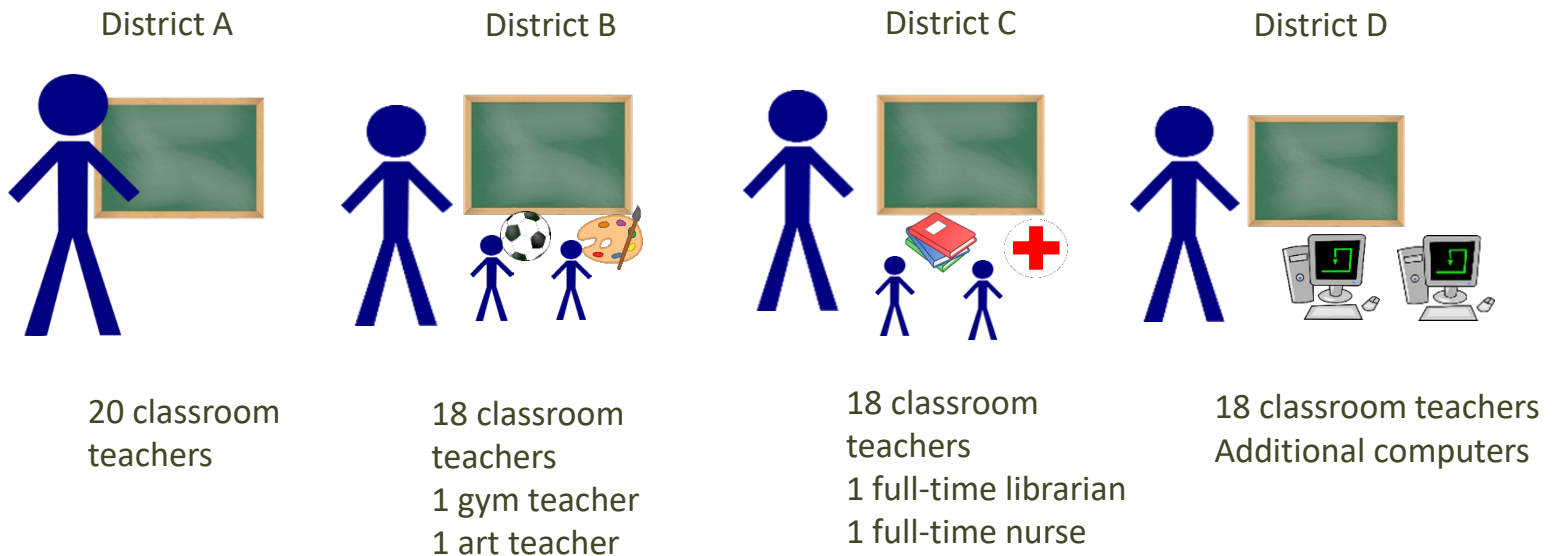


# Prototypical School: SY 2022-23

	Elementary	Middle	High
School Size (Students)	400	432	600
Class Size (Grade Level)*	17 (K-3) 27 (4-6)	28.5 (7-8)	28.7 (9-12) 19.8 (Lab Sci.)
Librarians (Staff Units)	0.663	0.519	0.523
Physical, Social, & Emotional Learning (Staff Units) (e.g. Nurses, Counselors, Social Workers, Safety)	1.246 1.578 (Hi Pov)	1.853 2.187 (Hi Pov)	3.259 3.592 (Hi Pov)
Administrative (Staff Units)	1.253	1.353	1.88
Non-Instructional Classified (Staff Units)	3.669	4.267	6.234
Instructional Aides (Staff Units)	0.936	0.7	0.652
Materials Supplies and Operating Costs (MSOC)*	\$1438.84 Per Pupil		\$1,633.05
Central Office	5.3% of school staff units are added		
Districtwide Support	2.773 FTE per 1,000 students		
RCW 28A.150.260			



# Simplified examples of local decisions about state general apportionment allocations\*



\*Rounded for illustration to assume 400-student prototypical elementary school generates 20 state-funded teachers

# State funding for compensation is provided for three broad staff categories.

☞ Certificated Instructional Staff (CIS) include:

☞ Teachers, guidance counselors, school nurses, school social workers, librarians, and school psychologists.

☞ Certificated Administrative Staff (CAS) include:

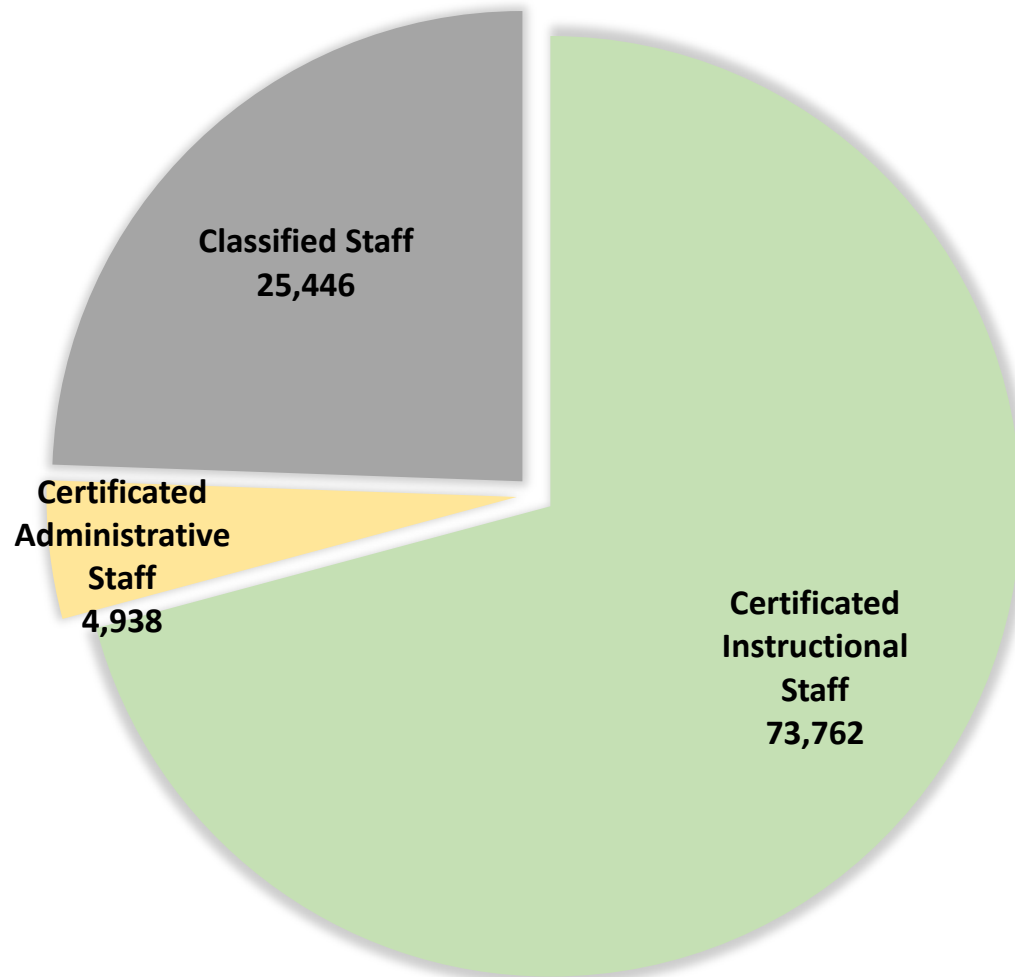
☞ Principals, assistant principals, and central administrative certificated staff.

☞ Classified Staff (CLS) include:

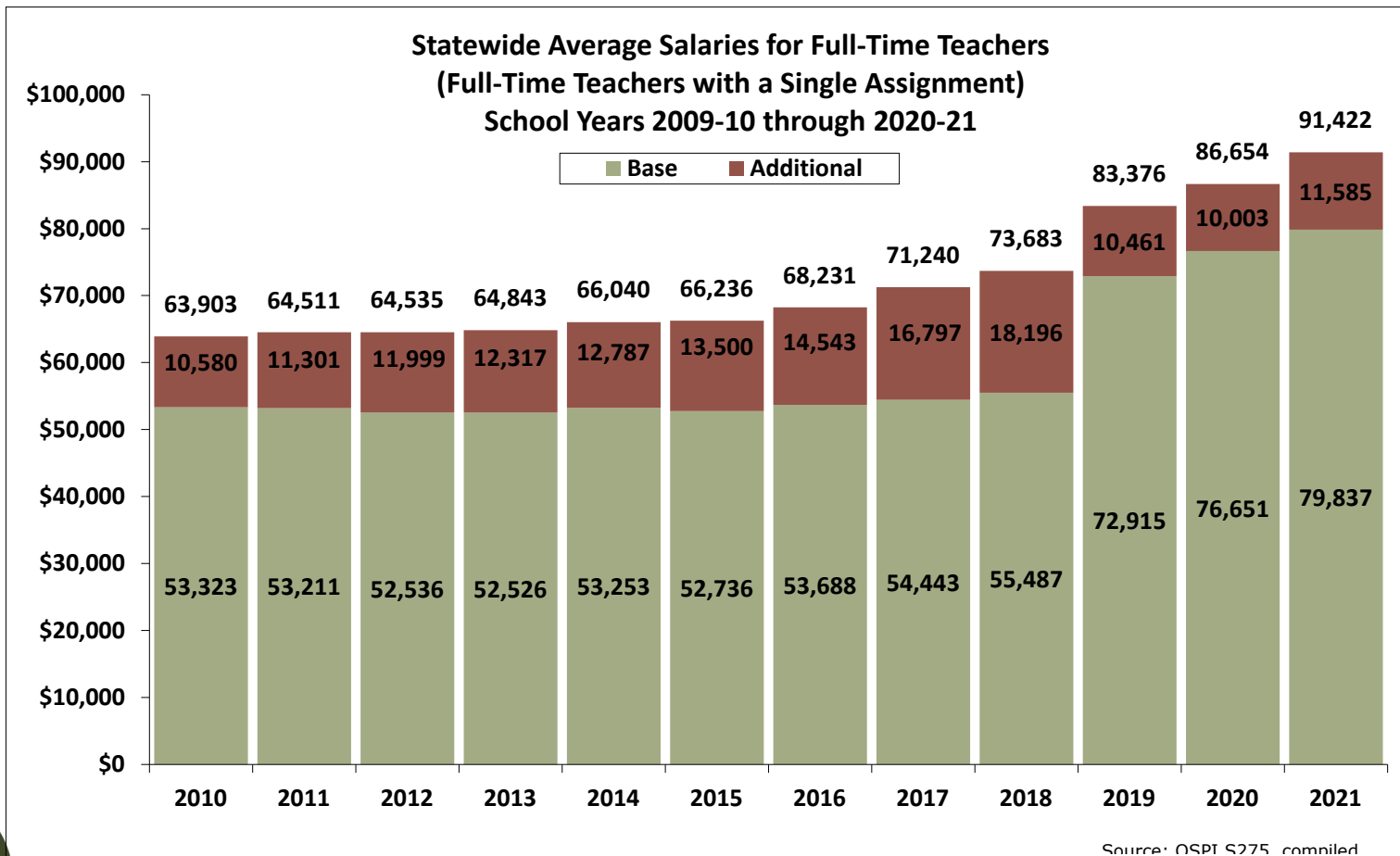
☞ Facilities and maintenance staff, warehouse workers, laborers, mechanics, central administration, and information technology staff.



**The state provided funding for an estimated 104,146 K-12 staff through the prototypical school funding formula in school year 2022-23.**



# School employee salaries increased alongside the growth in state salary allocations.



# 2022-23 Salary Allocations

## Minimum Salary Allocations.

▮ CIS - \$72,728

▮ CLS - \$52,173

▮ CAS - \$107,955

## ▮ Salary Allocations Adjusted by Regionalization.

▮ CIS\* - \$80,898 estimated statewide average

▮ CLS - \$56,944 estimated statewide average

▮ CAS - \$117,860 estimated statewide average

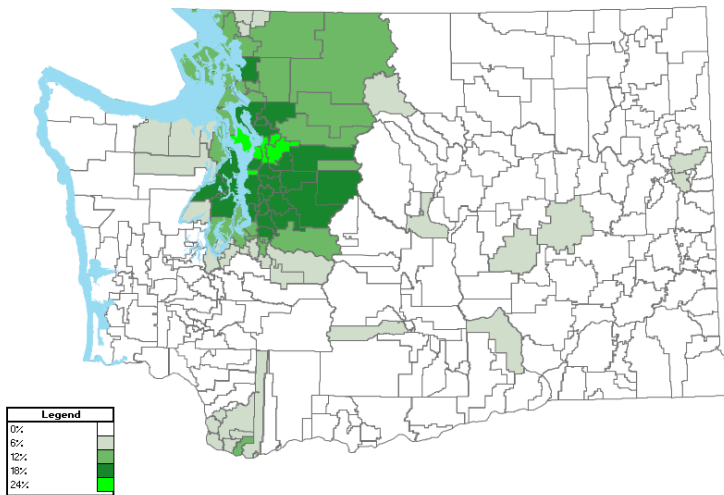
▮ \*Funding for 3 Professional Learning Days (CIS).



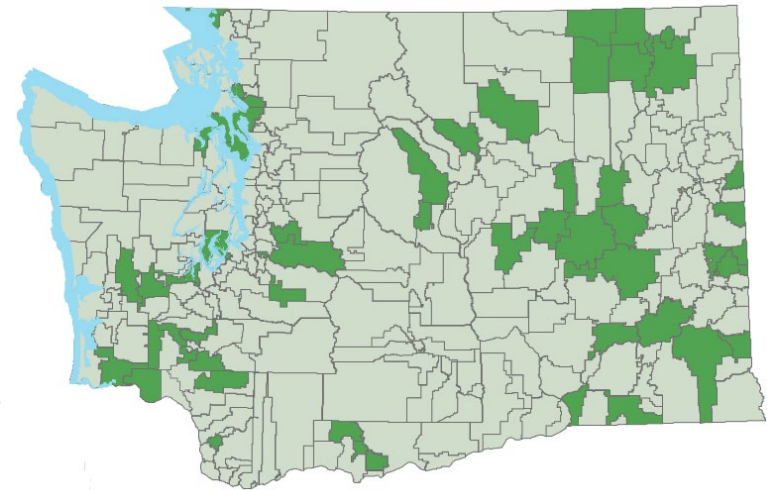


# Approximately 80% of the K-12 operating budget is for compensation.

- Salary allocations regionalized based on median home values in and near districts (3% to 18% in 22-23).
- Experience Factor of 4% for instructional staff based on experience/education.
- Salaries are inflated by the Implicit Price Deflator for that fiscal year (usually projected) .
- The School Employees Benefits Board provides health benefits to school employees.
- This session, regionalization, and potentially other comp factors, will be rebased.



Regionalization Factors 2019-20



Experience Factors 2019-20





## 2023 Rebase under Current Law

- Methodology defined in RCW 28A.150.412.
- Department of Revenue provided updated median residential values.
- Regionalization provided to districts above the statewide median residential value.
  - 6, 12, or 18 percent, by tercile.
  - Districts west of the Cascades bordering a district more than two terciles higher receive additional.
- Experience Factor based on 2021-22 final staffing data.



# School Employees Benefits Board (SEBB) and Employee Benefits

- SEBB provides health benefits to school staff statewide, in place since January 1, 2020.
- Funding Rate \$1,026 per FTE per month.
- Allocations multiplied by Benefit Allocation Factor to reflect part-time eligibility (1.02 CIS, 1.43 CLS)
- SEBB in 22-23:
  - Estimated \$1.4 billion of the state K-12 budget in 22-23
  - About 10% of the state K-12 budget.
- State funded staff also generate allocations for employer contributions to pensions, Medicare and Social Security.



# SEBB funding sources support employer contributions and payments to providers.

## State School Funding Formulas

- ▮ The Legislature sets a Health Benefits Rate in budget that applies to each SEBB-eligible school employee (\$1,026 per employee per month currently).
- ▮ State allocations provide districts with the health benefits rate for each state-funded staff unit, times a Benefit Allocation Factor of 1.43 for classified staff units and 1.02 for certificated staff units.

## School Districts

- ▮ Local school district employee staff beyond the state allocation formulas, funded by enrichment levies.
- ▮ Districts pay the Health Benefits Rate to HCA for each eligible employee, whether state-funded or local-funded.

## Employer

- ▮ SEBB pays an Employer Medical Contribution (EMC) based on a percentage of the plan costs.
- ▮ Health benefit rate payments from school districts to HCA can be thought as a funding source for the EMC.

## Employee

- ▮ SEBB adopts a set of employee premiums, which can vary by plan.
- ▮ Employee Premium Contributions are contributed on a monthly basis and collected by school districts for payment to HCA.

State K-12 and School District Funding Sources

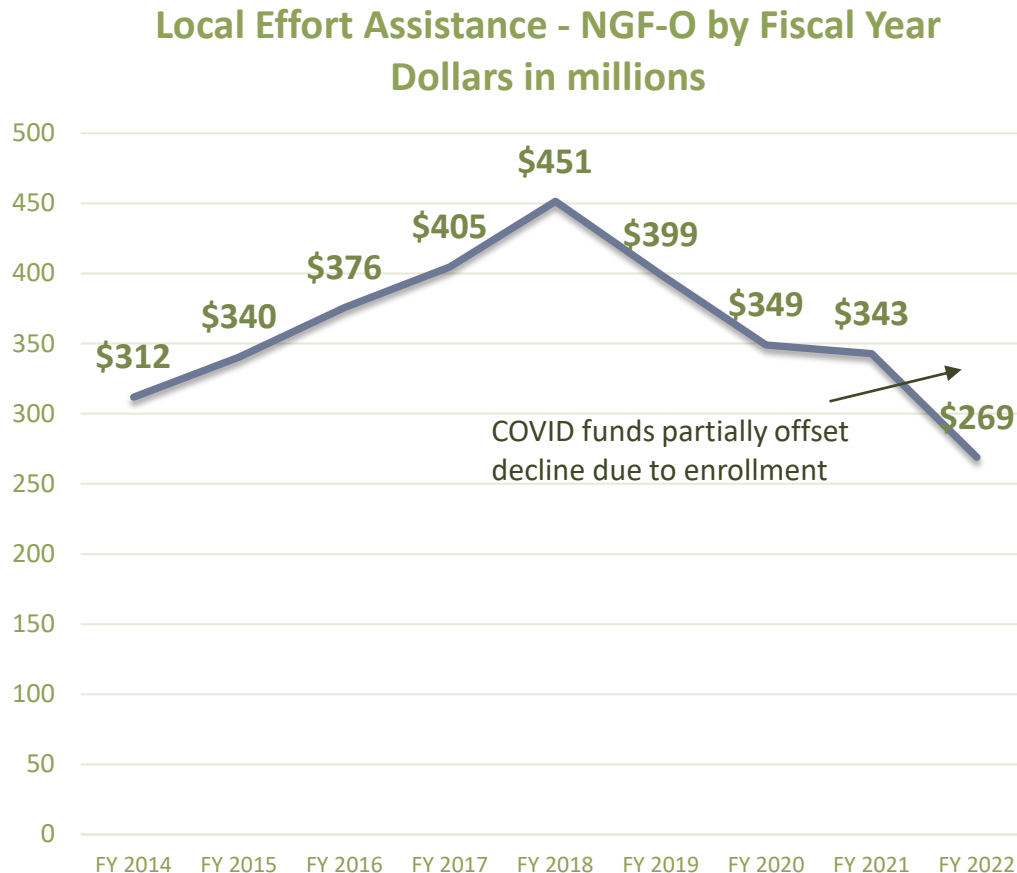
Employer and Employee Contributions

# Local enrichment levies fund enrichment beyond state funding.

- ▮ The maximum levy authority for a district is the lesser of \$2.50 per \$1,000 of assessed property value (AV) or \$2,500 per pupil, increased by inflation (\$2,988 in 2023).
  - ▮ Districts with more than 40,000 students (Seattle), can levy up to \$3,000 per pupil, increased for inflation (\$3,586 in 2023).
  - ▮ Allowable uses of enrichment funds defined in statute.
  - ▮ Prior to 2019, levies were limited by a levy lid, defined as a percentage of state, federal and other funds (the levy base).
- ▮ Permitted enrichment activities:
  - ▮ Extracurricular activities, extended school days, or an extended school year;
  - ▮ Additional course offerings beyond the minimum program of basic education;
  - ▮ Additional staff beyond state formulas and class sizes;
  - ▮ Activities associated with early learning programs;
  - ▮ Additional salary costs attributable to enrichment activities; and
  - ▮ Additional activities or enhancements as determined and approved by OSPI.



# Local Effort Assistance (LEA) is state enrichment funding to districts with lower property values.



Qualifying districts receive up to \$1,550 per pupil, increased for inflation, in combined levy and LEA (with inflation \$1,842 in 2023).

A district qualifies if its levy collections under an assumed rate of \$1.50 per \$1,000 of AV are less than \$1,550 per pupil.

Increases in property values can lower LEA for eligible districts.

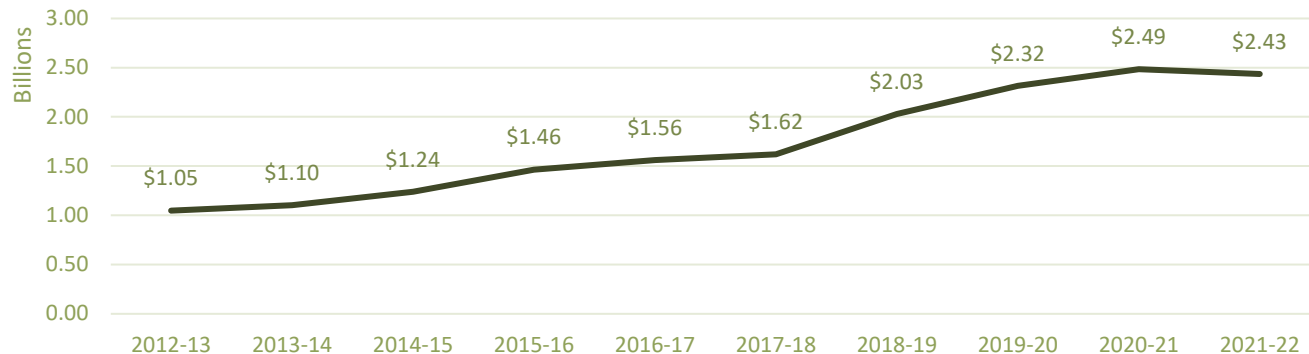


# Some unspent amounts in a school year may carry over into districts' fund balances.

## General Fund – Ending Fund Balances in Districts (Millions)

Fund Balance Type			2018-19	2019-20	2020-21	2021-22
Nonspendable Fund Balance			\$ 76	\$ 79	\$ 87	\$ 107
Restricted			\$ 169	\$ 158	\$ 182	\$ 196
Unrestricted by State or Fed	Committed		\$ 93	\$ 101	\$ 95	\$ 129
	Assigned		\$ 485	\$ 525	\$ 599	\$ 548
	Unassigned		\$ 1,205	\$ 1,452	\$ 1,522	\$ 1,455
Unrestricted by State or Fed Total			\$ 1,784	\$ 2,078	\$ 2,216	\$ 2,132
Grand Total			\$ 2,029	\$ 2,315	\$ 2,485	\$ 2,435

## Total Ending Fund Balance - Billions



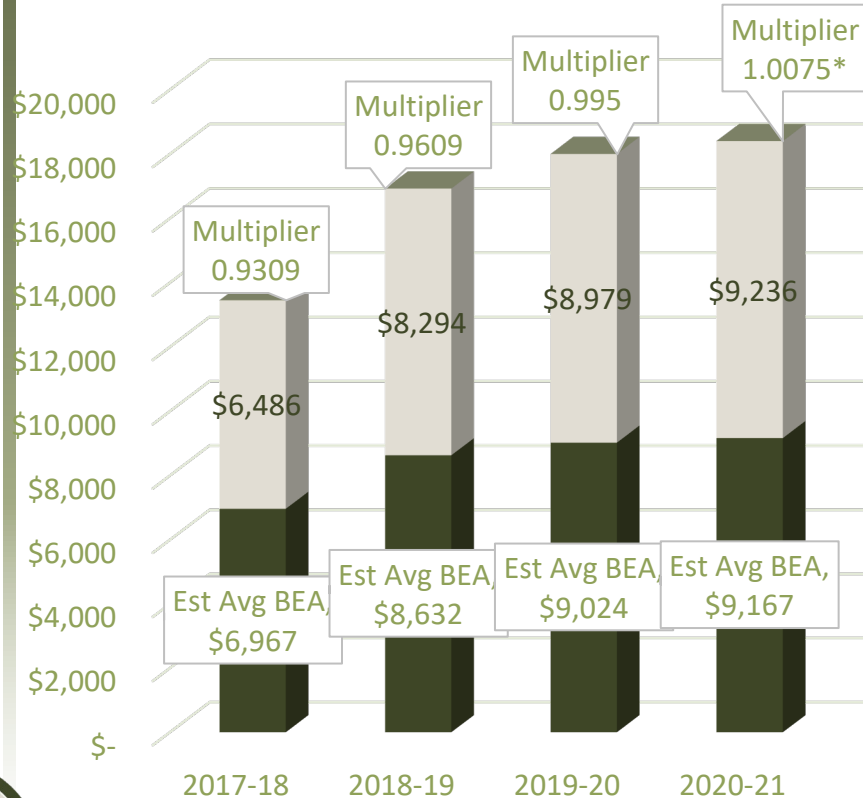
# Categorical Programs

- ▮ Special Education
- ▮ Pupil Transportation
- ▮ Learning Assistance Program
- ▮ Transitional Bilingual Instructional Program
- ▮ Highly Capable Program Institutional Education
- ▮ Institutional Education
- ▮ Career and Technical Education – Enhanced Class Sizes and MSOC for CTE students and skill centers, which must be used for CTE purposes.



# Special Education is funded on an "excess costs" basis.

Estimated Per Pupil BEA and Special Education Excess Costs

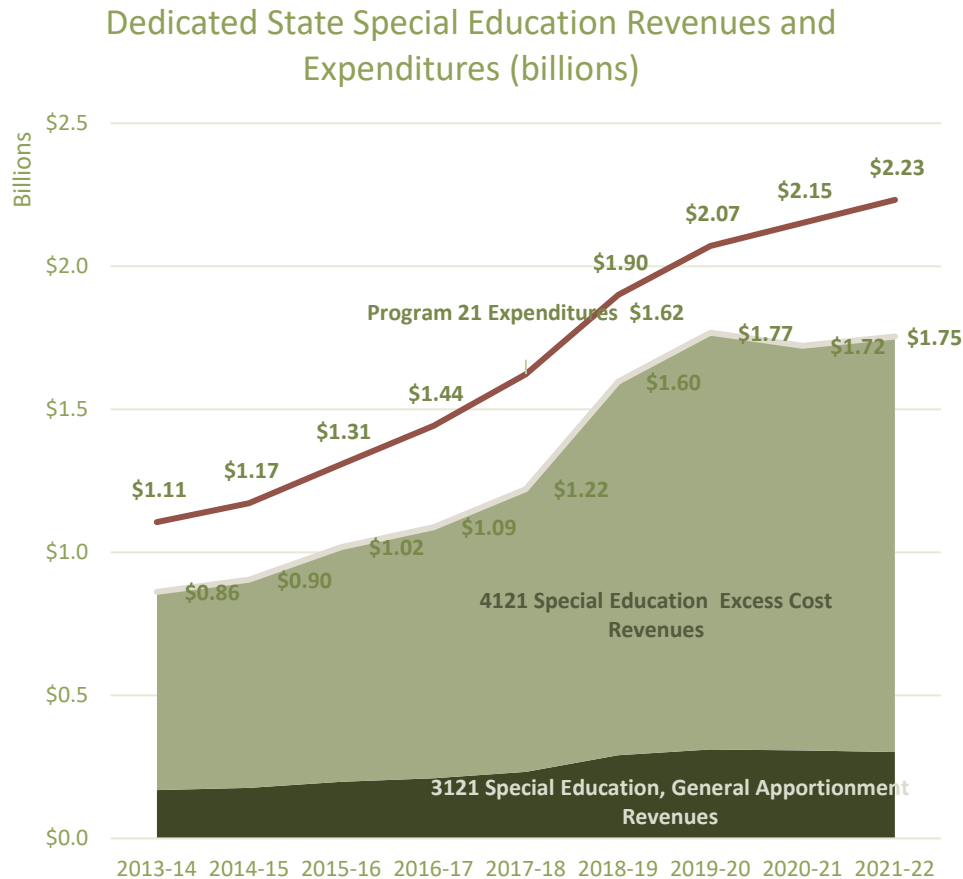


- ☞ An excess-cost multiplier is applied to a per pupil basic education allocation (BEA) to calculate funding per student.
- ☞ Multiplier beginning 2020-21
  - ☞ \*1.0075 if more than 80% in general ed setting
  - ☞ 0.995 for less than 80%
- ☞ Different BEA rates for each district, due to regionalization and other factors.
- ☞ The Safety Net is available for high needs individuals and communities.
- ☞ \$2.98 billion in the 2022 Supplemental Budget
- ☞ Approximately 150,000 students





# Special Education (K-21): State Revenues and Expenditures



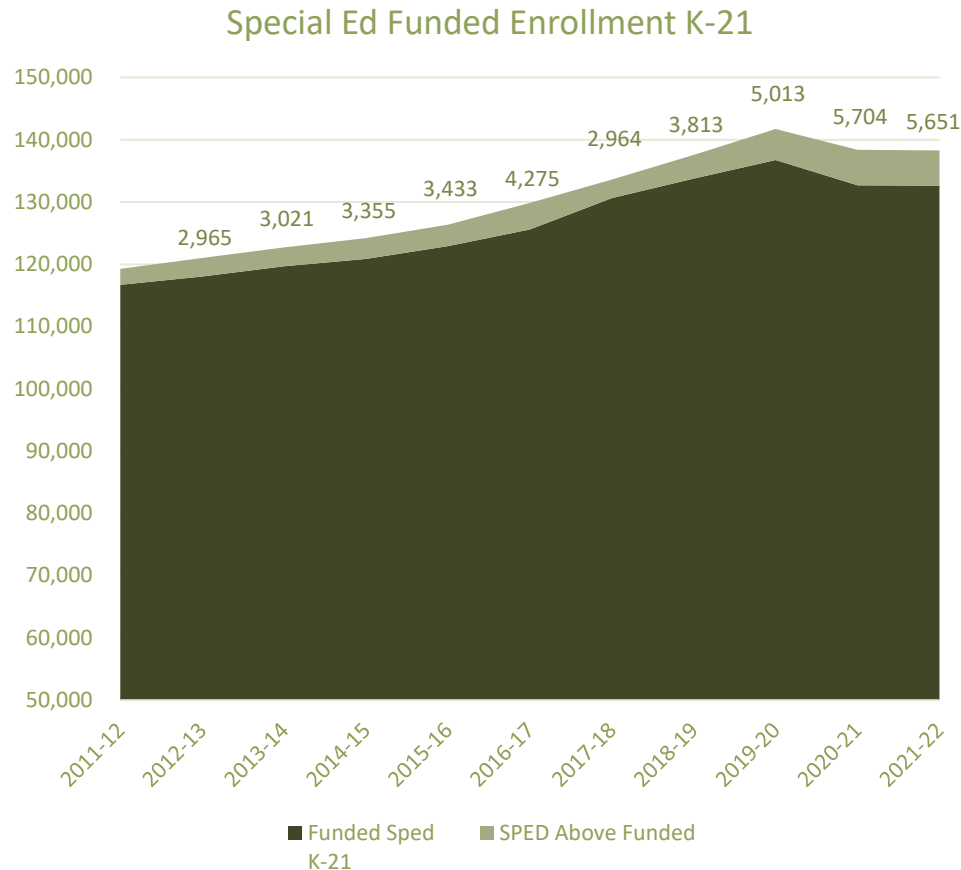
Certain state revenues are dedicated for special education purposes.

Difference between expenditures and dedicated revenues may be funded by enrichment levies, other parts of the state allocation, or other sources.

Districts reported \$342.2 mill in 21-22 from non-state and non-federal sources.



# Special education enrollments grew for several years, until the pandemic.



Special Education is funded up to 13.5% of enrollment.

Proposals to increase enrollment limit to 15% included in Governor's budget.



# Institutional Education (IE)

- Residential facilities and detention centers receive Institutional Education funding.
- Funding formula is referenced in the operating budget.
- Enrollment has declined in past several years.
- Allocations are distributed to school districts and Educational Service Districts to hire staff and develop and deliver a program of education in institutions.

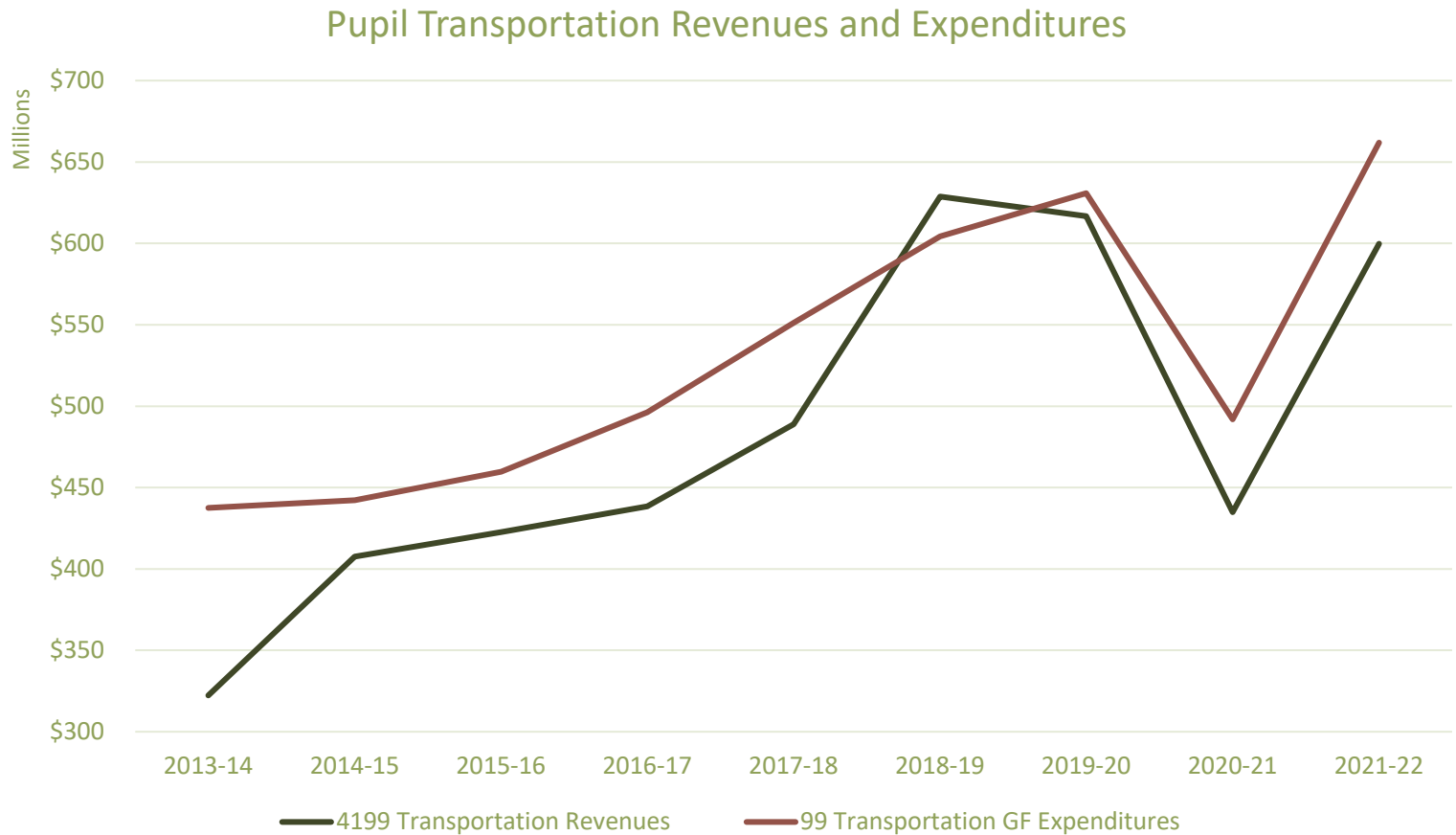


# **Pupil Transportation “to and from school” is part of basic education.**

- ▮ Funding formula based on prior year expenditures and a regression analysis of unique district characteristics.
- ▮ Adjustments made for budgeted increases to compensation.
- ▮ Allocations provided for school bus purchases in the form of bus depreciation payments.
  - ▮ State depreciation payments are made to districts regardless of revenue source they used to purchase bus.
- ▮ Pandemic affected bus ridership, expenditures, and effectiveness of the formula.

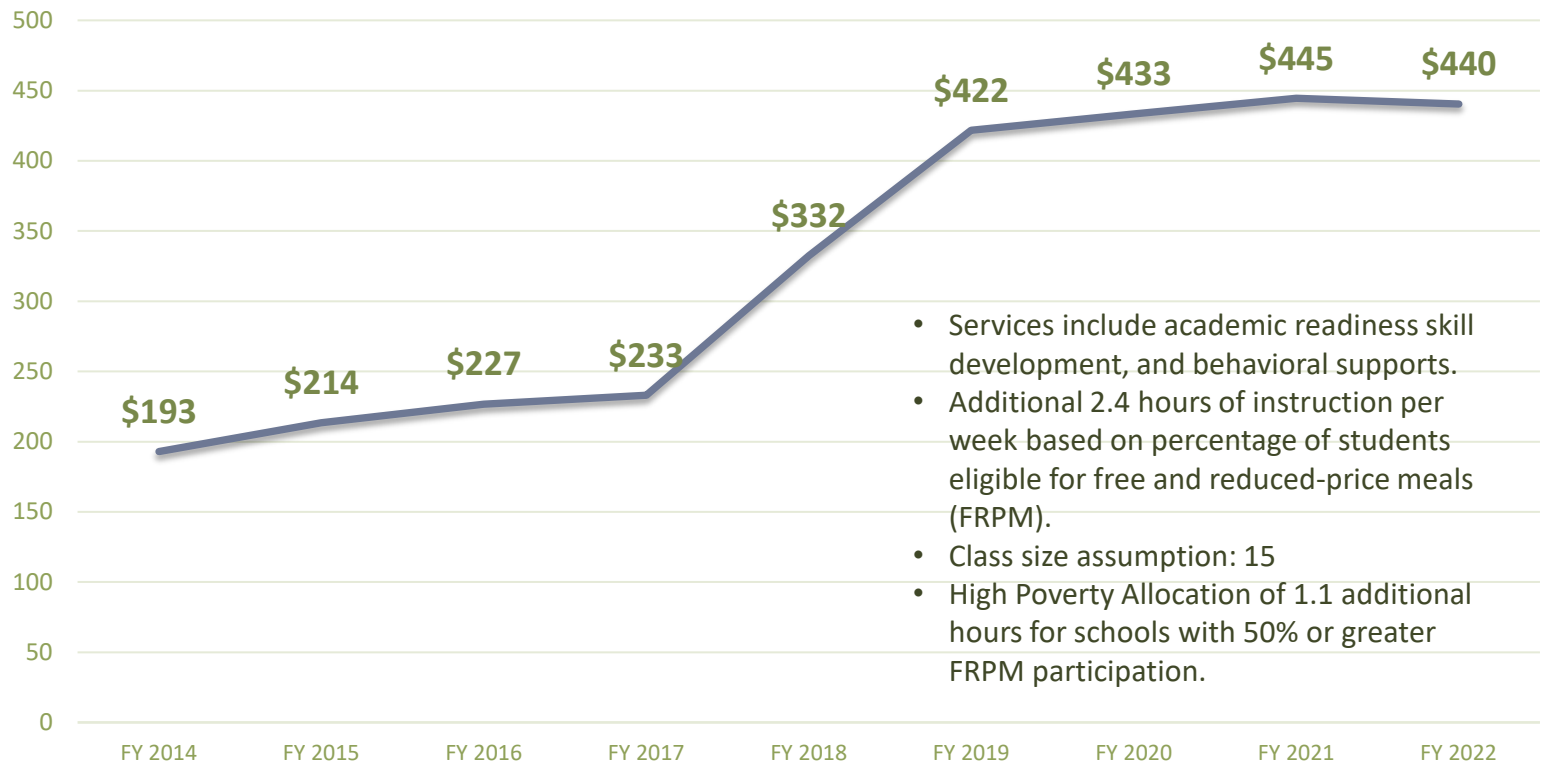


# Pupil Transportation: State Revenues and Expenditures



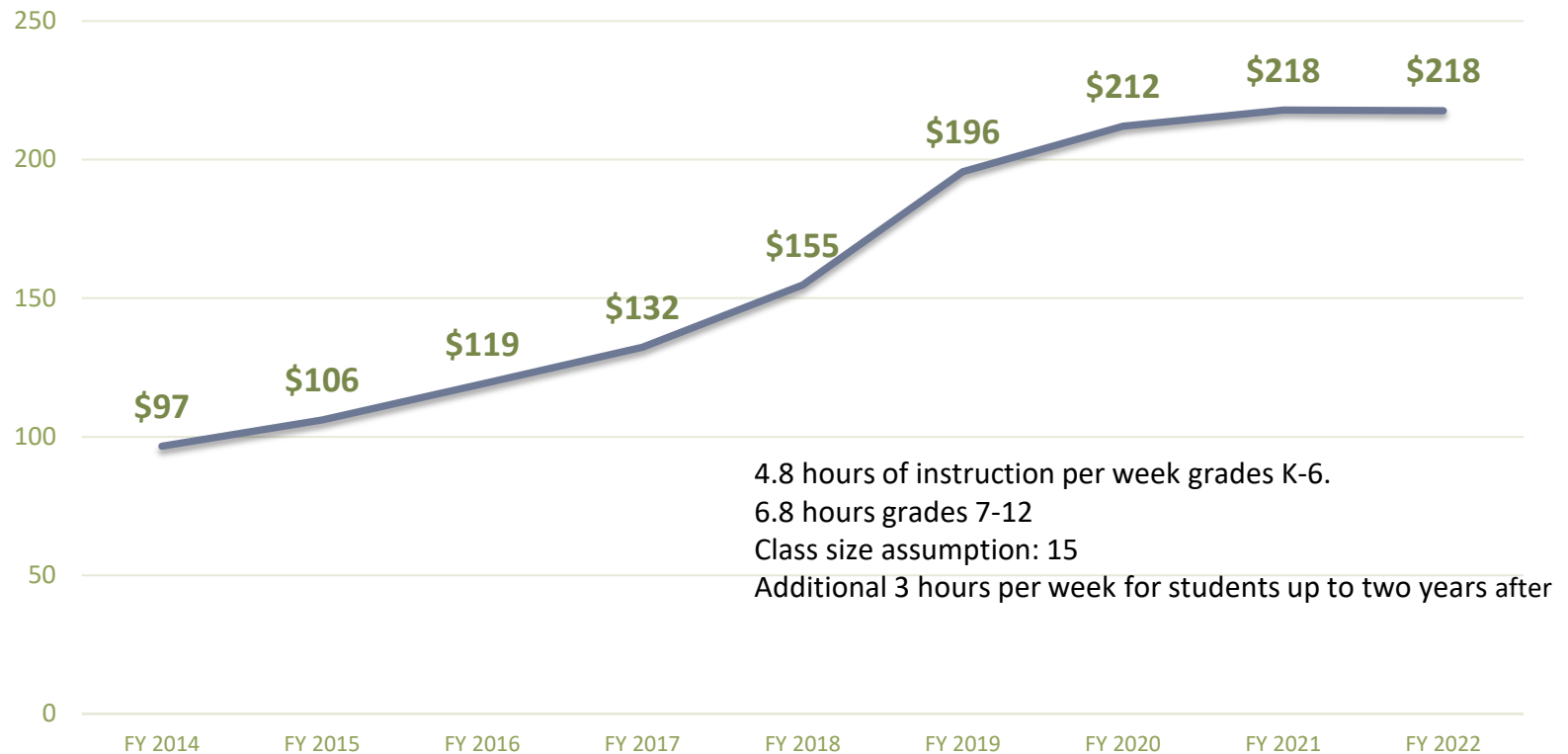
**The Learning Assistance Program provides additional hours of instruction for students who score below grade level standard on assessments.**

**Learning Assistance Program - NGF-O by Fiscal Year**  
Dollars in millions



# Transitional Bilingual Instruction Program provides additional hours of instruction for 130,000 students whose primary language is not English.

Transitional Bilingual Instructional Program- NGF-O by Fiscal Year  
Dollars in millions



# Highly Capable

- ⌄ The purpose of the Highly Capable Program is to provide access to accelerated learning and enhanced instruction.
  - ⌄ Districts are directed to identify their most highly capable students through the use of multiple, objective criteria.
  - ⌄ Highly capable may include a range of definitions, such as intellectual, academic, and artistic.
- ⌄ Funding is provided for an additional 2.159 hours of instruction per week, assuming a class size of 15 students, based on 5% of each school district's students.










# Statewide Programs and Grants

## Statewide Offices

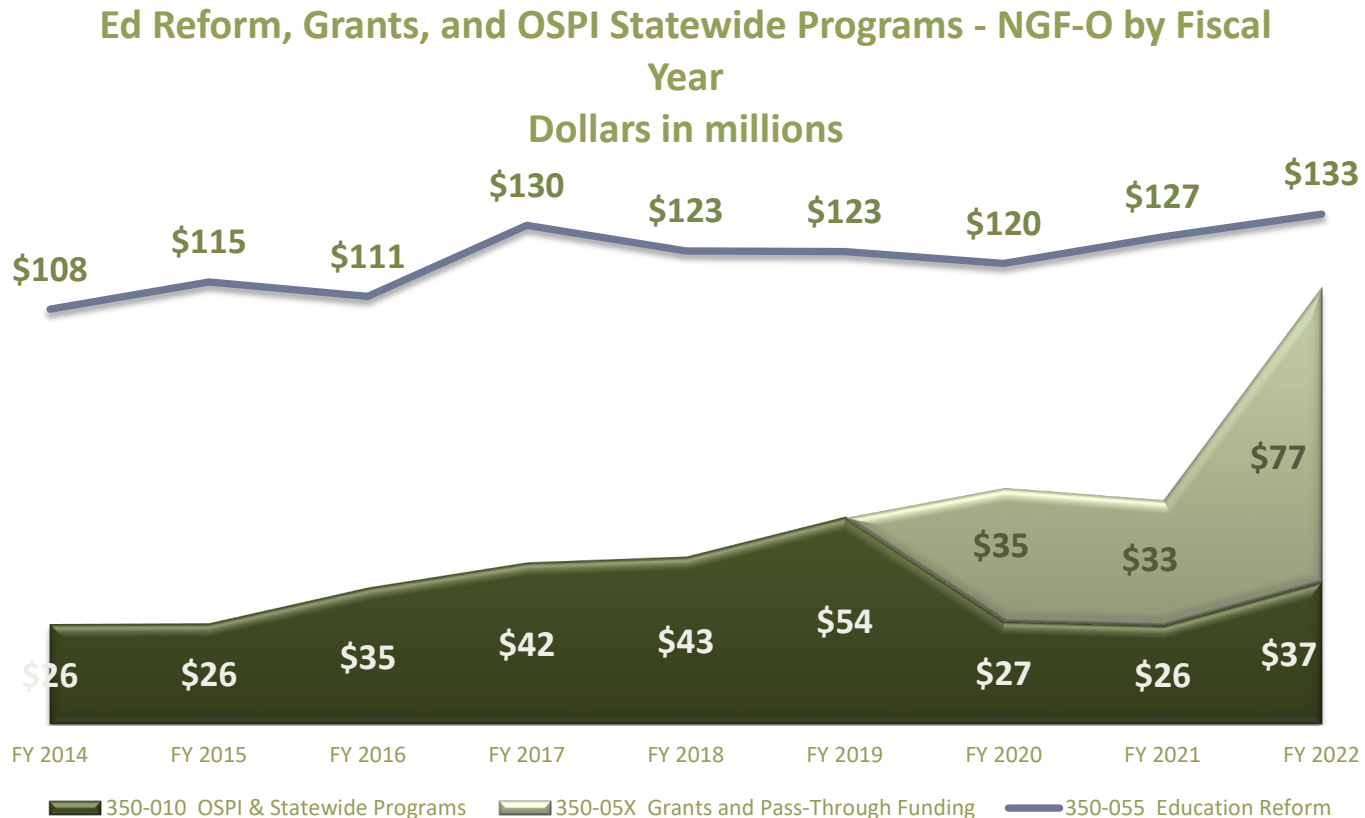
-  Office of the Superintendent of Public Instruction (OSPI)
-  Professional Educator Standards Board (PESB)
-  State Board of Education (SBE)

## Grants

-  Curriculum and Instruction
-  Student Health and Safety
-  Career and Technical Education (CTE)
-  Dropout Prevention, Achievement Gap Reduction
-  Teacher Recruitment and Retention



# Statewide Programs/Grants and Education Reform



FY13 to FY20 amounts from Agency Financial Reporting System (AFRS) as compiled by LEAP. Amounts in FY21 include estimated comp adjustments in the program and the preliminary Maintenance Level changes in the Governor's budget.

January 19, 2023

Office of Program Research

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# Federal funding provides additional support for many of the categorical programs.

- ▮ Federal IDEA, Part B provides additional support in the Special Education program
  - ▮ \$578 million in the 2021-23 biennium
- ▮ Title I funding provides additional support in the Learning Assistance Program
  - ▮ \$560 million in the 2021-23 biennium
- ▮ Title I, Part C provides additional supports for English language learners in the Transitional Bilingual Instruction Program
  - ▮ \$102 million in the 2021-23 biennium
- ▮ Funding is also provided to support child nutrition through the National School Lunch & Breakfast Program
  - ▮ \$573 million in the 2021-23 biennium



# Washington received nearly \$2.9 Billion for COVID through the federal Elementary and Secondary School Emergency Relief Fund (ESSER).

## 3 Rounds of ESSER Funding

- \$217m 1<sup>st</sup> round
- \$824m 2<sup>nd</sup> Round
- \$1.85 Billion 3<sup>rd</sup> Round

## 90% of ESSER for district subgrants

- Distributed according to federal formulas (largely based on poverty levels).
- Allowable uses are broad.

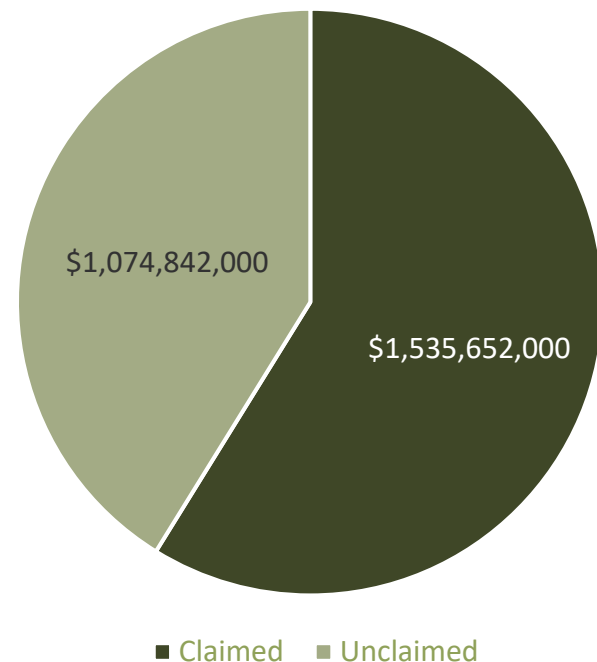
## 10% state set-aside

- Used for variety of grant programs

## Other federal emergency funds provided for special education, food reimbursement, and homeless supports.

## Most of remaining must be used by Sept. 2024

About 59% of ESSER Subgrants have been used from July 2020 to Dec 2022



# ESSER Subgrant Claims by Object and Activity

Object	% of Claims
Certificated Salaries	28%
Supplies and Materials	18%
Payroll Taxes and Benefits	14%
Purchased Services	10%
Indirect	10%
Classified Salaries	10%
Capital Outlay	9%
Transfers	1%
Employee Travel	0%
Grand Total	100%

Tor 10 Activities	% of Claims
Teaching	40%
Indirect	10%
Operation of Buildings	7%
Building Maintenance	7%
Instructional Technology	7%
Health and Related Services	4%
Guidance and Counseling	4%
Instructional Professional Development	3%
Information Systems	3%
Curriculum	3%

Source: <https://www.k12.wa.us/sites/default/files/public/communications/ESSER-District-Summary-Detail.xlsx>  
 Claims processed through November 2022 (accessed 1-17-2023)



# Early Learning and K-12

## Early Support for Infants and Toddlers (ESIT)

- Statewide system of early intervention services for infants and toddlers (birth through age two) with disabilities and their families
- Services may be provided in their homes or in child care settings
- Funding for the program was transferred from OSPI to the Department of Children, Youth, and Families beginning September 2020

## Developmental Preschool

- Special education services for children ages 3-5 with Individualized Education Programs (IEPs) through their school districts
- Services often provided in preschool or early childhood program settings, and in collaboration with the school district

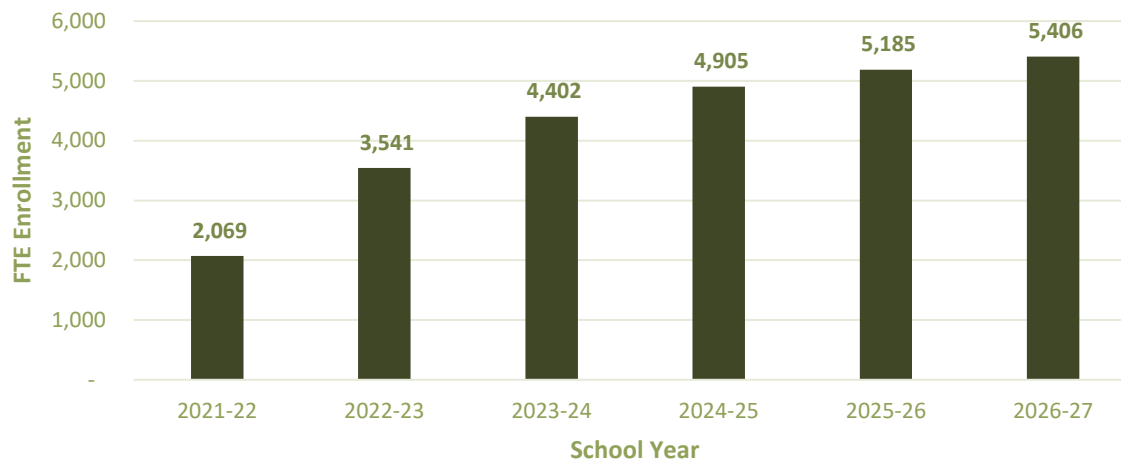


# Early Learning and K-12: Transitional Kindergarten

## ⌄ Transitional Kindergarten (TK)

- ⌄ A kindergarten program for children not yet age 5 who do not have access to high-quality early learning prior to kindergarten and have been deemed in need of additional preparation before entering kindergarten
- ⌄ Transitional Kindergarten students generate basic education funding
- ⌄ SY 2021-22: over 80 districts and 2,069 students enrolled in TK

Transitional Kindergarten Projected FTE Enrollment





Thank you!

Questions?



January 19, 2023